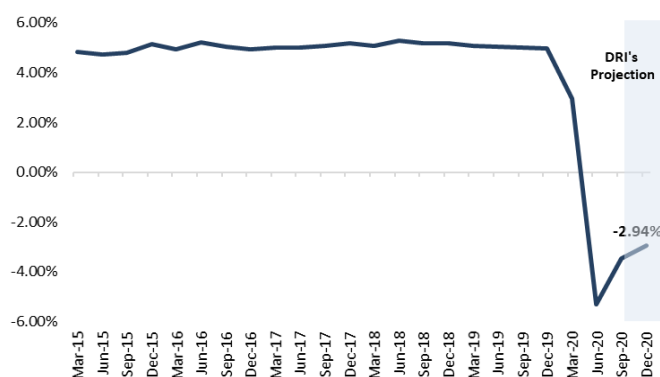


GDP Outlook 4th Quarter of 2020: Sluggish Recovery

Key Findings:

- Economic recovery continued at a slower pace than in the previous period. The realization of the National Economic Recovery Program (PEN), especially the social protection program, didn't have a significant impact on increasing household consumption.
- Investment slowed as reflected in the contraction of investment loans growth as well as the slower FDI and infrastructure development.
- The trade balance increased due to weak imports.

Chart 1 Real GDP Outlook



Source: CEIC, DRI

Outlook Summary

GDP growth in the 4th quarter of 2020 is estimated to reach 0.70% qoq or -2.94% yoy. On an annual basis GDP is forecast to contract by -2.33% in 2020. The weak economic recovery reflects sluggish household consumption amid the relatively high realization of social protection programs which have led to significant growth in government spending. In addition, investment, exports, and imports showed limited growth in the last quarter of 2020.

Table 1 Summary of the 4th Quarter of the 2020 Outlook

	4 th Quarter of 2020		2020
	qoq	Yoy	yoy
Real GDP	0.79%	-2.94%	-2.33%
Household Consumption	0.69%	-3.41%	-2.57%
Gov. Spending	20.69%	-3.35%	0.24%
Investment	5.72%	-4.65%	-4.55%
Export	6.56%	-2.48%	-6.22%
Import	7.28%	-18.94%	-15.22%

Table 2 2021 Inflation and BI7DDR Outlook

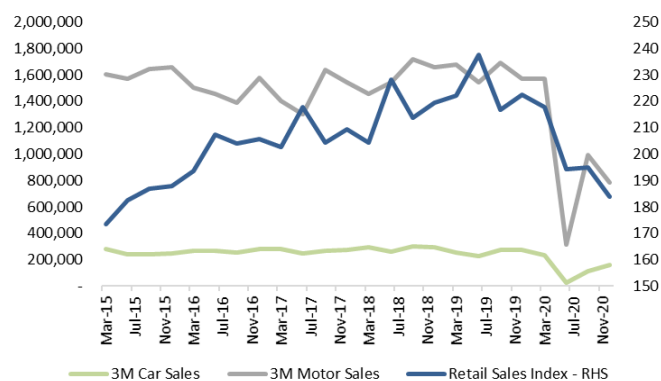
2021 GDP	2021 Inflation
4.81% – 5.75%	2.50% - 3.11%

Background

Household Consumption (HHC) Hasn't Recovered

HHC was weak amid high realization of the government's social protection program. As of December 31, 2020, the realization of the government's social protection program reached IDR230.31T or 95.73% of the IDR220.39T budget. The biggest realization was in the cash social assistance program of IDR60.12T, followed by the basic foods and family programs of IDR54.20T and IDR36.71T, respectively. Weak HHC was driven by the general public's limited activities due to the implementation of the large scale social distancing restrictions (PSBB) in early October 2020 which were continued by the transition of PSBB until the end of December 2020 due to the high number of daily cases of Covid-19. Weak HHC was reflected in the slower sales of vehicles than in the previous period, the contraction in consumption loans growth, and the weak retail sales.

Chart 2 Retail Sales and Vehicle Sales



Source: CEIC

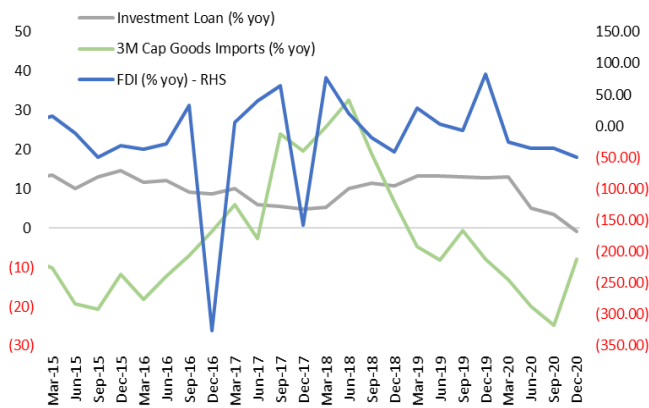
Government Spending Rose as the Economic Recovery Program was Disbursed

Government spending increased sharply driven by the realization of the national economic recovery program which reached IDR579.78T or 83.40% of the IDR695.2T target.

Slower Investment Growth

Investment activities were sluggish due to the enactment of PSBB and subdued investor optimism amid the high number of positive cases of Covid-19 in Indonesia. Cement sales only grew 4.23% qoq, much slower than in the previous period when growth reached 37.84% qoq. In addition, investment loans growth contracted by -2.02% qoq due to weak demand for new loans.

Chart 3 Investment

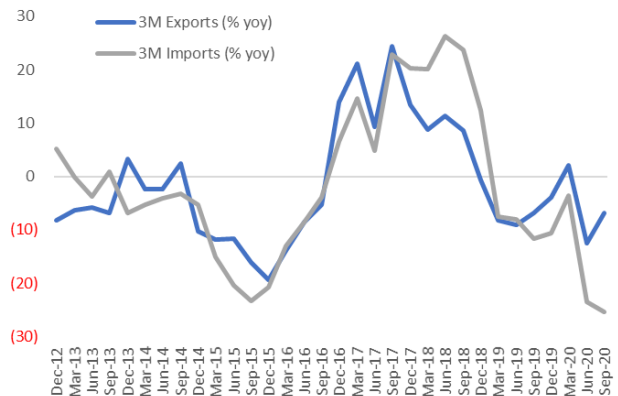


Source: CEIC

The Trade Balance Rose Amid Weak Imports

The trade balance in the 4th quarter of 2020 was recorded at USD8.27Bn, an increase of 3.62% qoq from the previous period. However, this increase reflects weak imports activity in line with the sluggish domestic demand.

Chart 4 Exports and Imports Growth



Source: CEIC

Subsequent Events

Medium Term GDP

The economic recovery is predicted to be slow in the coming periods, greatly influenced by the following factors:

1. Handling of the strategy to flatten the curve of Covid-19 daily cases.
2. Distribution of the Covid-19 vaccines, especially for the general community.
3. The effectiveness of the Government's stimulus in increasing economic activity.

- End -

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